

Date Mailed January 9, 1998
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BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation Into Appropriate Procedures Under Which an  
Underlying Provider May Disconnect a Reseller of Local Service

05-TI-163

**NOTICE OF INVESTIGATION  
AND REQUEST FOR COMMENTS**

Request to Be on Docket Mailing List

**January 16, 1998, by Noon**

Initial Comments Due:

**February 6, 1998, by Noon**

Fax Comments Due:

**February 5, 1998, by Noon**

Reply Comments Due:

**February 20, 1998, by Noon**

Fax Comments Due:

**February 19, 1998, by Noon**

Address Comments to:

Scot Cullen, Administrator  
Telecommunications Division  
Public Service Commission  
P.O. Box 7854  
Madison, WI 53707-7854  
Fax No. (608) 266-3957

Recently, at least two local service resellers have received notices from the incumbent local exchange carrier (ILEC) from which these resellers purchase service indicating that the resellers have large outstanding balances with the ILEC. These notices have threatened disconnection. One of these companies has been disconnected. Because the services provided by the ILEC (or ? potentially ? by other underlying local service providers) to the resellers are in turn provided to end user customers, the Commission is concerned about the impact a disconnection of a reseller's service might have on those end user customers. The Commission seeks comments on methods of balancing an underlying provider's right to disconnect resellers that are not paying for its service with the end user customers' rights to continue to receive essential telecommunications services.

The Commission notes that a similar problem can exist with regard to resale of long distance services; however, the long distance market has evolved methods to handle these problems without having customers lose long distance service. For instance, customers can reach another long distance network through dialing of 10XXX. Further, in general, whenever a reseller is unable to pay for its underlying service, it either merges with another reseller or sells its customer base. In the latter case, customers are presubscribed to the purchasing carrier, which may purchase the defaulting provider's tradenames as well. The entire transaction is transparent to the customers, except for the notice to customers, which usually takes the form of "In order to serve you better, company XYZ is merging with...." or "In order to offer you improved service, we will now be utilizing the underlying service of

...” The primary result of this process is that, although well over 100 long distance resellers certified to do business in Wisconsin have exited the market in the last 10 years, few if any customers have seen any disruptions in their long distance service as a result. The Commission would also note that such buyouts and mergers are common in the economy as a whole, and generally have no effect on long-term service contracts between firms and their customers.

In some cases, however, the customer base of a reseller may not be sold or transferred, either because the reseller refuses to sell, or because the customer base is unattractive for various reasons. In the case of long distance resale, the customers of such a reseller are generally absorbed by the underlying provider. In the case of resold local service, given the relatively immature state of local service competition, this may not be the optimal outcome.

In the case of the local service reseller which has recently been disconnected, the ILEC first notified the reseller of impending disconnection. It then formally disconnected the reseller, but allowed the reseller’s customers to continue to receive service for a week. The ILEC also notified the customers that they had to make arrangements with other providers by the end of that week. At the end of that week, the local service for all customers who had not made other arrangements was cut off.

The Commission notes that all providers, including competitive local exchange carriers (CLECs), are obliged to offer their services for resale. For this reason, CLECs may also be in the position of disconnecting a reseller for nonpayment. Likewise, some resellers act as wholesalers, and resell service to other resellers.

The Commission requests comments on the following issues:

1. Is it necessary for the Commission to establish rules or guidelines on disconnection of local service resellers to prevent end user customers from losing essential telecommunications services?
2. What procedures should the Commission establish for such disconnection?
3. Should local service resellers be allowed to sell their customers to another provider? What notice should be provided to customers in such an event?
4. Should any requirements adopted in this proceeding apply equally to all facilities- based providers and to all resellers selling local services to other resellers? If not, what differences are reasonable or necessary?

5. Should the Commission consider a minimal showing of financial responsibility before certifying CLECs and resellers?

**NOTICE IS HEREBY GIVEN** that the Commission requests comments on the above issues. Any party that desires to file comments should submit **an original and 15 copies** addressed as noted **in the box on page 1**. Copies must be served on all parties. Any party wishing to receive copies of comments must request inclusion on the docket mailing list **by January 16, 1998**, and must include a fax number. Commission staff will fax the docket mailing list by January 23, 1998. Comments by fax are due one day earlier to allow time for copies to be made. Fax filing cover sheets must state "Official Filing" and the number of pages (limit 20 pages). File by one mode only. Comments not received by **noon** on the due dates indicated may not be accepted. All correspondence should reference docket 05-TI-163.

The Commission will investigate this matter under its jurisdiction in §§ 196.01, 196.03, 196.203, 196.218, 196.219, 196.37, 196.26, and 196.28, Stats., ch. PSC 168, Wis. Adm. Code, and other provisions of chs. 196 and 227, Stats., as may be pertinent hereto.

This is a Type III action under § PSC 4.10 (3), Wis. Adm. Code. No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under § 1.11, Stats., nor an environmental assessment is required.

Questions on this matter should be directed to Peter R. Jahn, Principal Communications Analyst, at (608) 267-2338.

Dated at Madison, Wisconsin \_\_\_\_\_

By the Commission.

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Lynda L. Dorr  
Secretary to the Commission

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cc: Mail/Records Management  
Examining Division